

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name White River Township	County Muskegon
Fiscal Year End 03/31/2006	Opinion Date 06/14/06	Date Audit Report Submitted to State 07/21/2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Hendon & Slate, P.C.		Telephone Number 231-924-6890	
Street Address 711 W. Main Street		City Fremont	State MI
		Zip 49412	
Authorizing CPA Signature 		Printed Name Jodi DeKuiper	License Number 1101021180

**WHITE RIVER TOWNSHIP
MUSKEGON COUNTY, MI
FINANCIAL STATEMENTS
MARCH 31, 2006**

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WHITE RIVER TOWNSHIP

Township Board

<u>Appointed Official</u>	<u>Position</u>
Michael Cockerill	Supervisor
Deborah Harris	Treasurer
Joy Ann Lehman	Clerk
Holly Hughes	Trustee
Robert Suits	Trustee



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



Township Board
White River Township
Muskegon County
Montague, MI

Independent Auditor's Report

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of White River Township as of and for the year ended March 31, 2006, which collectively comprise a portion of the Township's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Townships' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note A, White River Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of March 31, 2006.

The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 25, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise White River Township, Michigan's basic financial statements. The schedule of cash and investments and the supplemental information statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedule of cash and investments has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Hendon & Slate

Hendon & Slate, P.C.
Certified Public Accountants
June 14, 2006

**WHITE RIVER TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED MARCH 31, 2006**

As the Township Board of the White River Township, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the White River Township for the fiscal year ended March 31, 2006.

Overview of the Township

The Township tax base was increased by new homes. Home sales increase the Township's taxable value when uncapping happens at the time of purchase. The budget Street line item increased with engineering costs with the improvements on the Lau Road End Boat Launch. The Township operates from the General Fund. There are line items that are specified such as dollars for a new fire barn. Also money stated for the purchase of dune property if the Township were to get a DEQ Land Trust Fund Grant that it has applied for.

The Township is historically conservative with its budget. We often underestimate actual income and over estimate cost. At this date we are doing improvements on the Lau Road End Boat Launch and will incur the construction costs. The Muskegon County Road Commission will pay for the asphalt and gravel cost with Township set aside funds. The Township has no long-term debt. We foresee that we will incur matching fund cost should we get a DEQ Land Trust Grant to purchase property to add to the Township Barrier Dune Sanctuary. The Montague Fire Authority is pursuing land for a new fire barn which could be shared cost or a millage. We will keep the Township in good financial status for the future. The Township has no business-type activities such as sewer, water, and fire or ambulance service.

Using this Annual Report

This annual report consists of a series of financial statements. The Government-Wide Statement of Net Assets and the Government-Wide Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements. All of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and governmental activities, from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Township are just general government.

Financial Highlights

1. The assets of the White River Township exceeded its liabilities at the close of the fiscal year by \$921,184. Of this amount, all may be used to meet the Township's ongoing obligations to citizens.
2. As of the close of the current fiscal year, the Township's governmental funds reported an ending fund balance of \$579,127 - an increase of \$49,202 in comparison with the prior year. The total amount is available for spending at the Township's discretion.

Management's Discussion & Analysis (Continued)

3. The increase in area building in the Township brought in more building, mechanical, electrical and plumbing permits.
4. The Township's total debt is \$-0- during the current fiscal year.

The Township as a Whole

The Township's combined net assets increased 6.5% from a year ago - from \$868,677 to \$924,868. In a condensed format, the table below shows key financial information (in future years, when prior year information is available, a comparative analysis of government wide data will be presented):

	Governmental Activities <u>2006</u>
Current Assets	\$ 596,220
Noncurrent Capital Assets	334,724
Total Assets	<u>\$ 930,944</u>
Current Liabilities	<u>\$ 9,760</u>
Total Liabilities	<u>\$ 9,760</u>
Net Assets	
Invested in Capital Assets - Net of Debt	\$ 334,724
Unrestricted	586,460
Total Net Assets	<u>\$ 921,184</u>

Unrestricted net assets - the part of net assets that can be used to finance day to day operations, increased by \$50,040 for the governmental activities. This represents an increase of approximately 9.3%.

	Governmental Activities <u>2006</u>
Program Revenues	
Charges for Services	\$ 27,995
General Revenues	
Property Taxes	95,998
State Shared Revenues	90,367
Investment Earnings	18,607
Refunds & Rebates	11,904
Other	613
Total Revenues	<u>245,484</u>

Management's Discussion & Analysis (Continued)

	Governmental Activities <u>2006</u>
Program Expenses	
Legislative	\$ (21,322)
General Government	(65,769)
Public Safety	(78,194)
Public Works	(11,492)
Recreation & Culture	(612)
Other Functions	<u>(12,592)</u>
Total Expenses	<u>(189,981)</u>
Change in Net Assets	<u>\$ 55,503</u>

Governmental Activities

The Township's total governmental revenues remained relatively stagnant. Expenditures decreased approximately \$27,000 due mostly to a decrease in general expenses (\$10,000) and public safety expenses (\$15,500) for the Township.

The Township's fund

Our analysis of the Township's major funds follows the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major fund for 2006 was the General Fund.

The General Fund pays for the Township's governmental services. About 34% of the General Fund expenditures are made up of general government, amounting to \$65,769. Another 40% was for public safety with the largest portion going to Montague Fire Department. The total expenditures were 1/3 for payroll and 1/4 for Montague Fire Department, with the remaining total for other expenses.

General Fund Budgetary Highlights

Over the course of the year, the Township Board made amendments to the budget to take into account events during the year. There were no material overexpenditures as reported in the Notes to the Financial Statements.

Capital Asset and Debt Administration

At the end of March 2006, the Township had over \$367,000 invested in capital assets including land and land improvements, and buildings and building improvements. In addition the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads property of the Muskegon County Road Commission (along with the responsibility to maintain them.)

Management's Discussion & Analysis (Continued)

As of March 31, 2006, the Township has no outstanding debt reported in the financial statements.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2006-2007 calls for a decrease in revenues of approximately \$21,000 through property taxes, licenses & permits, and refunds & reimbursements. General Fund expenditures were budgeted for slightly more than the previous budget, including \$10,000 set aside for contingencies.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

WHITE RIVER TOWNSHIP

Government Wide Statement of Net Assets March 31, 2006

	Governmental <u>Activities</u>
ASSETS	
Cash	\$ 578,457
Taxes Receivable	5,792
Prepaid Insurance	7,333
Due From Fiduciary Fund	4,638
Capital Assets, Net	<u>334,724</u>
Total Assets	930,944
LIABILITIES	
Accounts Payable	<u>9,760</u>
Total Liabilities	<u>9,760</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	334,724
Unrestricted	<u>586,460</u>
Total Net Assets	<u><u>\$ 921,184</u></u>

The Notes to These Financial Statements are an Integral Part of This Statement.

WHITE RIVER TOWNSHIP

Statement of Activities For the Year Ended March 31, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	Program <u>Revenues</u> Charges for <u>Services</u>	<u>Total</u>
Legislative	\$ (21,322)	\$ -	\$ (21,322)
General Government	(65,769)	2,924	(62,845)
Public Safety	(78,194)	25,071	(53,123)
Public Works	(11,492)	-	(11,492)
Recreation & Culture	(612)	-	(612)
Other	(12,592)	-	(12,592)
	<u> </u>	<u> </u>	<u> </u>
Total Governmental Activities	<u>\$ (189,981)</u>	<u>\$ 27,995</u>	<u>\$ (161,986)</u>

General Revenues

Taxes	\$ 95,998
State Grants	90,367
Interest	18,607
Refunds & Rebates	11,904
Other	613
	<u> </u>
Total General Revenues	<u>\$ 217,489</u>
Change in Net Assets	55,503
Net Assets - April 1, 2005	<u>865,681</u>
Net Assets - March 31, 2006	<u><u>\$ 921,184</u></u>

The Notes to These Financial Statements are an Integral Part of This Statement.

WHITE RIVER TOWNSHIP

Governmental Funds Balance Sheet March 31, 2006

	General <u>Fund</u>
ASSETS	
Cash	\$ 578,457
Taxes Receivable	5,792
Due From Fiduciary Fund	<u>4,638</u>
Total Assets	<u>\$ 588,887</u>
LIABILITIES	
Accounts Payable	<u>\$ 9,760</u>
Total Liabilities	9,760
FUND BALANCES	
Designated	7,897
Unreserved	<u>571,230</u>
Total Fund Balances	<u>579,127</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 588,887</u>

The Notes to These Financial Statements are an Integral Part of This Statement.

WHITE RIVER TOWNSHIP

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets March 31, 2006

Total Governmental Fund Balances	\$ 579,127
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Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Prepaid Insurance reflects amounts that will be used in a future period	7,333
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Assets	367,357
Governmental Accumulated Depreciation	<u>(32,633)</u>
Total Net Assets - Governmental Activities:	<u><u>\$ 921,184</u></u>

The Notes to These Financial Statements are an Integral Part of This Statement.

WHITE RIVER TOWNSHIP

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balance For the Year Ended March 31, 2006

	<u>General Fund</u>
Revenues	
Taxes	\$ 95,998
Licenses and Permits	25,071
State Grants	90,367
Charges for Services	2,119
Interest	18,607
Refunds & Rebates	11,904
Other	<u>1,417</u>
Total Revenues	245,483
Expenditures	
Legislative	21,283
General Government	65,769
Public Safety	78,194
Public Works	17,643
Recreation and Culture	612
Other	<u>12,780</u>
Total Expenditures	<u>196,281</u>
Excess Revenue Over (Under) Expenditures	49,202
Fund Balance - Beginning	<u>529,925</u>
Fund Balance - Ending	<u><u>\$ 579,127</u></u>

The Notes to These Financial Statements are an Integral Part of This Statement.

WHITE RIVER TOWNSHIP

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities For the Fiscal Year Ended March 31, 2006

Net Change in Fund Balance - Total Governmental Funds		\$ 49,202
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Amounts reported for governmental activities in the statement
of activities are different because:

Prepaid Insurance reflects amounts that will be used in a future period:

Current year prepaid insurance	\$ 7,333	
Prior year prepaid insurance	<u>(7,183)</u>	150

The acquisition of capital assets are reported in the governmental
funds as expenditures. However, for governmental activities those
costs are shown in the statement of net assets and allocated over
their estimated useful lives as annual depreciation expenses in the
statement of activities:

Capital outlay reported in governmental fund statements	11,211	
Capital outlay reported as expenses in statement of activities	<u>-</u>	
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) assets.	11,211	
Depreciation expense reported in the statement of activities	<u>(5,060)</u>	<u>6,151</u>

Changes in Net Assets		<u><u>\$ 55,503</u></u>
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The Notes to These Financial Statements are an Integral Part of This Statement.

WHITE RIVER TOWNSHIP

Statement of Net Assets - Fiduciary Fund March 31, 2006

	<u>Trust and Agency Funds</u>
Assets	
Cash and Investments	<u>\$ 10,495</u>
Total Assets	<u><u>\$ 10,495</u></u>
Liabilities and Net Assets	
Liabilities	
Due to Others	\$ 5,857
Due to General Fund	<u> 4,638</u>
Total Liabilities	<u><u>\$ 10,495</u></u>

The Notes to These Financial Statements are an Integral Part of This Statement.

WHITE RIVER TOWNSHIP

Statement of Changes in Net Assets - Fiduciary Funds For the Year Ended March 31, 2006

	Current Tax Collection Fund		
	Balance 4/1/2005	Additions	Deductions
			Balance 3/31/2006
Assets			
Cash and Investments	\$ 5,326	\$ 2,500,858	\$ 2,495,689
			\$ 10,495
Total Assets	\$ 5,326	\$ 2,500,858	\$ 2,495,689
			\$ 10,495
Liabilities			
Due to General Fund	\$ 5,326	\$ 108,782	\$ 109,470
Due to County	-	996,649	995,367
Due to Other - Ambulance	-	40,988	40,988
Due to Others - Refunds	-	2,172	-
Due to Schools & ISD	-	1,352,268	1,349,865
			2,403
Total Liabilities	\$ 5,326	\$ 2,500,859	\$ 2,495,690
			\$ 10,495

The Notes to These Financial Statements are an Integral Part of This Statement.

WHITE RIVER TOWNSHIP

Notes to the Financial Statements March 31, 2006

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of White River Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by White River Township.

In fiscal year 2006, the Township adopted GASB Statement No. 34, "*Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments.*" GASB Statement No. 34 requires new basic financial statements for reporting on the Township's financial activities. The effect of this change was to include management's discussion and analysis and include the government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information on major funds, rather than by fund type.

1. Reporting Entity

The reporting entity is a general law township as defined by the laws of the State of Michigan. The Township is governed by a Supervisor and Township Board.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

- a. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
- b. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on this criteria, there are no other entities included in this report.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period.

a. State Shared Revenue Receivable

State Shared Revenue is distributed in six installments per year. Often the last payment has not been received by March 31; therefore, a receivable is recorded for this amount. The final payment of \$15,011 was received in February 2006, thus no receivable is recorded.

b. Property Taxes Receivable

The Township property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the Township as of the preceding

December 31st. The taxes are due on September 14th and February 14th, with the final collection date of February 28th before they are added to the County tax rolls. The 2005 delinquent taxes of \$5,792 were received after the year-end and recorded as revenue for the current year.

The 2005 taxable valuation of the Township totaled \$70,662,196 on which ad valorem taxes levied consisted of 1.3000 mills for general operating which is recognized in the general revenue fund financial statements as current tax revenue.

The government reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

In addition the government also reports the following fund type:

Fiduciary Fund

Agency Fund - the agency fund is used to account for assets held by the township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

3. Assets, Liabilities, and Net Assets

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments with a maturity of greater than one year at the date of purchase are stated at fair value, and all other investments are stated at cost or amortized cost.

Statutes authorize the township to deposit and invest in the following:

- (1) In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
- (2) In certificates of deposit, saving accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC), a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA).

- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- (4) In United States government or federal agency obligation repurchase agreements.
- (5) In banker's acceptance of United States banks.
- (6) In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds composed of investment vehicles which are legal for direct investment by local units of government of Michigan.
- (8) In investment pools organized under the surplus funds investment pool act 1982 PA367, MCL 129.11 to 129.150; investment pools organized under the local government investment pool act, 1985 PA121, MCL 129.141 to 129.150.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/ borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Inventories and Prepaid Items - Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. Prepaids are payments to vendors that benefit future reporting periods are reported on the consumption basis. There were no material inventories at year end.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. In accordance with GASB 34, infrastructure asset costs incurred prior to April 1, 2004 are not included in the financial statements.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	50 Years
Building Improvements	20 Years
Land Improvements	20 Years
Vehicles	5 Years
Equipment	5 - 15 Years
Software	3 Years

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fund Balance - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

4. Budgets and Budgetary Accounting

P.A. 621 of 1978, Section 18(1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the township for these funds were adopted on the activity level. The budgets shown in these financial statements are as last amended through March 31, 2006.

During the year ended March 31, 2006, the Township did not incur material overexpenditures. Some immaterial overexpenditures did occur, but were due to audit adjustments.

5. Reporting Entity

The financial statements of White River Township do not include any other governmental boards or authorities based on a determination made with the control or dependence in the areas of budget adoption, taxing authority, funding and appointment of respective boards.

6. Encumbrances

The Township does not use any form of encumbrance accounting.

NOTE B DEPOSITS AND INVESTMENTS

Legal Provisions for Deposits and Investments - The Investment of Surplus Funds of Political Subdivisions Act No. 20, Public Acts of 1943, as amended through December 31, 1997, state the Township, by resolution may authorize the Treasurer to invest surplus funds in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2).
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of the United States banks
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 801-3 and 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - 1. The purchase of securities on a when-issued or delayed delivery basis.
 - 2. The ability to lend portfolio securities as long as the mutual fund receives collateral all times equal to at least 100% of the securities loaned.
 - 3. The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperations Act of 1967, 1967 (Es Sess) PA7 MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus Funds investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the Local government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, money market funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above. Deposits are carried at cost. Cash deposits of the Township are in three separate financial institutions: National City Bank, Shelby State Bank, and Comerica Bank. These accounts are in the Township's own name.

The Township's deposits are in accordance with statutory authority as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
<u>General Fund</u>		
Certificates of Deposits		
National City Bank Certificate of Deposit	\$ 210,196	\$ 210,196
Total	210,196	210,196
Cash		
General - Comerica Bank Checking	360,363	361,885
Tennis Court Fund - Shelby State Savings	835	835
Land Fund - Comerica Bank Savings	7,062	7,062
Total	368,260	369,782

Notes to the Financial Statements (continued)

Fiduciary Fund

Tax Account - Comerica Checking	10,495	10,495
Total Cash	378,755	380,277
Total cash - primary government	\$ 588,951	\$ 590,473
FDIC Insured	\$ 207,897	\$ 207,897
Uninsured	\$ 381,054	\$ 382,576

NOTE C INTERFUND RECEIVABLES AND PAYABLES

	Receivable (Due From)	Payable (Due To)
General Fund	\$ 4,638	-
Trust and Agency (Tax)	-	4,638
	<u>\$ 4,638</u>	<u>\$ 4,638</u>

The entire amount is expected to be paid within one year.

NOTE D CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 184,244	\$ -	\$ -	\$ 184,244
Capital Assets Being Depreciated				
Land Improvements	54,063	11,211	-	65,274
Buildings & Improvements	117,839	-	-	117,839
Subtotal	171,902	11,211	-	183,113
Less Accumulated Depreciation for:				
Land Improvements	9,112	2,703	-	11,815
Buildings & Improvements	18,461	2,357	-	20,818
Subtotal	27,573	5,060	-	32,633
Net Capital Assets Being Depreciated	144,329	6,151	-	150,480
Total Governmental Activities Capital				
Capital Assets - Net of Depreciation	<u>\$ 328,573</u>	<u>\$ 6,151</u>	<u>\$ -</u>	<u>\$ 334,724</u>

Notes to the Financial Statement (continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General Government	\$ 3,079
Recreation & Culture	1,981
	<u>\$ 5,060</u>

NOTE E DESIGNATED FUND BALANCE

Unreserved fund balances designated for specific purposes are as follows:

General Fund

Designated for Land Purchase	\$ 7,062
Designated for Tennis Project	835
	<u>835</u>
Total Designated Fund Balance	<u>\$ 7,897</u>

NOTE F RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE G JOINT VENTURES

White Lake Ambulance Authority

The township is a member of White Lake Ambulance Authority, which was organized to provide emergency medical services to its member units. It is a joint venture of seven governmental units governed by a board composed of one representative of each of the respective member units. It is financed through charges to persons who use the services at rates determined by the authority with any operating deficit at year end being made up by the member units in proportion to their populations determined by the last census. The township does not report an equity interest in this joint venture in these financial statements because the township does not have an explicit and measurable right to the joint venture's resources. The township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial information based on the June 30, 2005, audit report of White Lake Ambulance Authority follows:

Assets	
Current	\$ 460,712
Noncurrent	292,311
	<u>292,311</u>
Total Assets	753,023

Notes to the Financial Statements (continued)

Liabilities	
Current	21,627
Noncurrent	<u>38,437</u>
Total Liabilities	60,064
Net Assets	<u>\$ 692,959</u>
Operating Revenues	\$ 745,595
Operating Expenses	(963,593)
Non-Operating	<u>381,359</u>
Net Loss	<u>\$ 163,361</u>

Complete financial statements for White Lake Ambulance Authority may be obtained from offices at the City of Whitehall, 405 East Colby Street, Whitehall, Michigan 49461.

White Lake Solid Waste Authority

The township is a member of the White Lake Solid Waste Authority which was organized for collection, disposal and recycling of garbage, rubbish, refuse and such other waste material and/or by-product for its member units. It is a joint venture of five governmental units governed by an authority board composed of representatives from each of the respective member units. The joint venture is financed by user fees as well as the member units who contribute to the authority based on their respective populations. The township does not report an equity interest in this joint venture in these financial statements because the township does not have an explicit and measurable right to the joint ventures' resources. The township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial information based on the June 30, 2005, audit report of White Lake Solid Waste Authority follows:

Assets	
Current	\$ 26,944
Noncurrent	<u>453</u>
Total Assets	27,397
Liabilities	
Current	6,407
Noncurrent	<u>-</u>
Total Liabilities	6,407
Net Assets	<u>\$ 20,990</u>

Notes to the Financial Statements (continued)

Operating Revenues	\$ 70,456
Operating Expenses	(67,773)
Non-Operating	<u>131</u>
Net Loss	<u>\$ 2,814</u>

Complete financial statements for the White Lake Solid Waste Authority can be obtained from offices at the City of Whitehall, 405 East Colby Street, Whitehall, Michigan 49461.

Montague Fire District

The township is a member of the Montague Fire District which was organized to provide fire protection for its member units. It is a joint venture of three governmental units governed by an authority board composed of representatives from each of the respective member units. The joint venture is financed by member units who contribute to the district based on the number of fire runs over the previous three fiscal years. The township does not report an equity interest in this joint venture in these financial statements because the township does not have an explicit and measurable right to the joint ventures' resources. The township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The district is a blended component unit of the City of Montague and is included as a special revenue fund in the city's financial statements. Financial information based on the June 30, 2005, audit report of Montague Fire District follows:

Assets	
Current	\$ 68,995
Noncurrent	<u>264,465</u>
Total Assets	333,460
Liabilities	
Current	23,976
Noncurrent	<u>-</u>
Total Liabilities	23,976
Net Assets	<u>\$ 309,484</u>
Operating Revenues	\$ 167,548
Operating Expenses	(127,824)
Non-Operating	<u>6,783</u>
Net Loss	<u>\$ 46,507</u>

Complete financial statements for the City of Montague may be obtained from offices at the City of Montague, 8778 Ferry, Montague, Michigan 49437.

NOTE H STATE CONSTRUCTION CODE ACT

P.A. 245 of 1999, section 22(1) of the State Construction Code Act, requires fees generated by enforcing agencies or construction board of appeals be intended to bear a reasonable relationship to the actual cost of performing those services. The fees generated by the township's enforcing agencies and the costs of providing those services were as follows for the year ended March 31, 2006:

Revenues	
Enforcement fees - permits	\$ 23,394
Expenditures	
Contractual services	19,306
Miscellaneous	<u>418</u>
Total expenditures	<u>19,724</u>
Excess of revenues over expenditures	3,670
Excess from prior year	<u>6,698</u>
Excess at end of year	<u><u>\$ 10,368</u></u>

NOTE I CONCENTRATION OF CREDIT RISK

The Township places its temporary cash and certificates of deposit with creditworthy, high-quality financial institutions. A significant portion of the funds is not insured by the FDIC or related entity.

NOTE J RELATED PARTY TRANSACTIONS

During the fiscal year end March 31, 2006, the Township purchased \$104 worth of supplies from Hunt's Hardware which is owned by a person related to the Township supervisor.

WHITE RIVER TOWNSHIP

Budgetary Comparison Schedule for General Fund For the Year Ended March 31, 2006

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues				
Taxes	\$ 83,200	\$ 83,200	\$ 95,998	\$ 12,798
Licenses and Permits	20,000	20,000	25,071	5,071
State Grants	85,000	85,000	90,367	5,367
Charges for Services	1,000	1,000	2,119	1,119
Interest	5,500	5,500	18,607	13,107
Refunds and Rebates	4,000	4,000	11,904	7,904
Other	<u>3,300</u>	<u>3,300</u>	<u>1,417</u>	<u>(1,883)</u>
Total Revenues	202,000	202,000	245,483	43,483
Expenditures				
Legislative	30,000	30,000	21,283	8,717
General Government	60,550	64,518	65,769	(1,251)
Public Safety	88,950	91,574	78,194	13,380
Public Works	5,350	17,339	17,643	(304)
Recreation and Culture	800	800	612	188
Other	<u>66,800</u>	<u>58,868</u>	<u>12,780</u>	<u>46,088</u>
Total Expenditures	<u>252,450</u>	<u>263,099</u>	<u>196,281</u>	<u>66,818</u>
Excess Revenue Over (Under)				
Expenditures	(50,450)	(61,099)	49,202	110,301
Fund Balance - Beginning	<u>514,966</u>	<u>514,966</u>	<u>529,925</u>	<u>14,959</u>
Fund Balance - Ending	<u><u>\$ 464,516</u></u>	<u><u>\$ 453,867</u></u>	<u><u>\$ 579,127</u></u>	<u><u>\$ 125,260</u></u>

WHITE RIVER TOWNSHIP

Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund (Budget and Actual) For the Year Ended March 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
Taxes and PTAF	\$ 83,200	\$ 95,998	\$ 12,798
Licenses and Permits	20,000	25,071	5,071
State Grants-Shared Revenue	85,000	90,367	5,367
Charges for Services	1,000	2,119	1,119
Interest	5,500	18,607	13,107
Refunds and Rebates	4,000	11,904	7,904
Other	<u>3,300</u>	<u>1,417</u>	<u>(1,883)</u>
Total Revenues	202,000	245,483	43,483
Expenditures			
Legislative			
Township Board			
Salaries and Wages		3,745	
Lawyers Fees		7,487	
Appraisal		250	
Planner		1,010	
Printing & Publishing		871	
Mileage		314	
Dues		1,200	
Seminars		105	
Payroll Expenses		4,596	
Workmans Comp.		839	
Miscellaneous		<u>866</u>	
Total Legislative	30,000	21,283	8,717
General Government			
Supervisor			
Salaries and Wages		9,360	
Supplies		6	
Seminar		<u>152</u>	
	9,500	9,518	(18)

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Elections			
Salaries and Wages		1,470	
Supplies		<u>443</u>	
	1,913	1,913	-
Assessor			
Salaries and Wages		3,453	
Contracted Services		8,838	
Supplies		1,104	
Tech. Support		<u>420</u>	
	14,678	13,815	863
Clerk			
Salaries and Wages		10,006	
Supplies		705	
Dues		193	
Seminars		<u>144</u>	
	11,400	11,048	352
Board of Review			
Salaries and Wages		837	
Printing & Publishing		<u>510</u>	
	1,650	1,347	303
Treasurer			
Salaries and Wages		16,276	
Supplies		1,221	
Tax Program		420	
Printing and Publishing		<u>351</u>	
	18,000	18,268	(268)
Township Hall and Grounds			
Salaries and Wages		752	
Supplies		760	
Equipment		224	
Repairs and Maintenance		2,630	
Utilities		2,055	
Refunds		500	
Phone/Internet		<u>956</u>	
	5,377	7,877	(2,500)

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Cemetery			
Salaries & Wages		864	
Equipment		468	
Utilities		151	
Other		<u>500</u>	
	<u>2,000</u>	<u>1,983</u>	<u>17</u>
 Total General Government	 64,518	 65,769	 (1,251)
 Public Safety			
Constable			
Mileage	1,700	1,558	142
 Montague Fire District			
Equipment Fund		50,444	
Building Fund		<u>250</u>	
	52,000	50,694	1,306
 Public Safety			
Publishing		54	
Electric		86	
Life Ring Alarm		<u>1,263</u>	
	2,000	1,403	597
 Building Inspector			
Salaries & Wages		8,575	
Phone		31	
Mileage		<u>357</u>	
	10,250	8,963	1,287
 Plumbing Inspector			
Salaries & Wages	3,000	2,704	296
 Mechanical & Electrical Inspector			
Permits		8,027	
Mileage		<u>30</u>	
	9,032	8,057	975

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Planning & Zoning Commission			
Salaries & Wages		1,449	
Printing & Publishing		398	
Seminars		99	
Planner		1,165	
Other		<u>612</u>	
	12,500	3,723	8,777
Zoning Board Administrator			
Salaries & Wages		665	
Printing and Publishing		361	
Seminars		<u>66</u>	
	<u>1,092</u>	<u>1,092</u>	<u>-</u>
Total Public Safety	91,574	78,194	13,380
Public Works			
Streets			
Lau Road Boat Launch		11,211	
Dust Layer		<u>2,326</u>	
	13,233	13,537	(304)
White Lake Solid Waste	<u>4,106</u>	<u>4,106</u>	<u>-</u>
Total Public Works	17,339	17,643	(304)
Recreation and Cultural			
Parks & Recreation			
Salaries & Wages		414	
Equipment		104	
Utilities		<u>94</u>	
Total Recreation & Cultural	800	612	188

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Other Functions

Muskegon County Drain Spray	350	350	-
Montague Museum	200	200	-
Montague Library	3,200	2,669	531
Senior Center	1,000	1,000	-
Fire Works	600	600	-
D.A.R.E.	800	800	-
Contingency	1,557	-	1,557
Capital Outlay	3,000	-	3,000
Land Trust Fund Grant	10,000	-	10,000
Tennis Courts	1,000	-	1,000
Fire Barn	30,000	-	30,000
Insurance	<u>7,161</u>	<u>7,161</u>	<u>-</u>
Total Other Functions	<u>58,868</u>	<u>12,780</u>	<u>46,088</u>
 Total Expenditures	 <u>263,099</u>	 <u>196,281</u>	 <u>66,818</u>
 Excess Revenues Over (Under) Expenditures	 <u><u>\$ (61,099)</u></u>	 49,202	 <u><u>\$ 110,301</u></u>
 Fund Balance - Beginning		 <u>529,925</u>	
 Fund Balance - Ending		 <u><u>\$ 579,127</u></u>	

Companies



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



July 20, 2006

Board Members
White River Township
Montague, MI

Dear Board Members:

In connection with our audit of the White River Township as of and for the year ended March 31, 2006, we offer the following comments and recommendations.

Building Permits

During 1999, the State of Michigan amended the Construction Code Act making new requirements for all governmental entities which collect building permits. Under the new act, the fees collected are restricted for the direct costs of the enforcing agency and the indirect cost of operation (overhead). On page 25 of the financial statements, there is a schedule which reflects the Township's current collection of permits, the related direct expenses, and the excess of revenues over expenditures. As indicated by the Act, the excess fees over costs are set aside for future years costs which may exceed the fees. Based upon the current collection of fees and payment to the inspectors, the Township will never have a year where costs exceed fees. Therefore, we recommend that the Township determine a reasonable allocation of overhead costs or change the method of payment to the inspectors. We are attaching a copy of a memo and related documents for assisting the Township to determine the appropriate response to this situation. Of course, we are available if the Board needs additional information or guidance regarding this issue.

Chart of Accounts

The State of Michigan has prescribed a uniform chart of accounts to be used by all counties & local units of government. During our audit we found that some of the accounts were not properly numbered. For example, wages to employees would be numbered ---.700's and contracted workers would be numbered ---.800's. Also, parks and recreation is currently numbered 292.--- and should be numbered 751.---. We recommend that the Township review all account numbers and compare them to the latest uniform chart of accounts and make changes as necessary.

Tax Fund

During the audit we noticed that the tax account is being kept in hand written ledgers. As we previously discussed with the treasurer, since the Township already has QuickBooks accounting software for the general fund, we recommend that the tax fund also be kept in QuickBooks. This will make it more expedient in tracking receipts and disbursements. Bank reconciliations could also be done with the software.

Grand Rapids

2025 East Beltline SE
Suite 208
Grand Rapids, MI 49546
Phone (616) 954-3995
Fax (616) 954-3990

Muskegon

4985 South Harvey Street
Muskegon, MI 49444
Phone (231) 798-1040
Fax (231) 798-8409

Fremont

711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

Whitehall

116 West Colby, Suite B
Century Building
Whitehall, MI 49461
Phone (231) 893-6772
Fax (231) 893-6773

Hart

1550 North Industrial Park Drive
Hart, MI 49420
Phone (231) 873-5611
Fax (231) 873-7033

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We also noticed that the Township is retaining the interest collected on taxes. Townships are required to have an agreement between taxing units that contain "adequate consideration" in order to retain the interest earned (see attached). We recommend that the Township consult with their attorney on this matter.

This report is intended solely for the information and use of the White River Township management, the Board members and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the courtesy extended to us during our audit. We are available year-round to assist in the implementation of any of the recommendations set forth in this letter or to answer any questions regarding the audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Jodi DeKuiper, CPA". The signature is written in a cursive, flowing style.

Jodi DeKuiper, CPA
Hendon & Slate, P